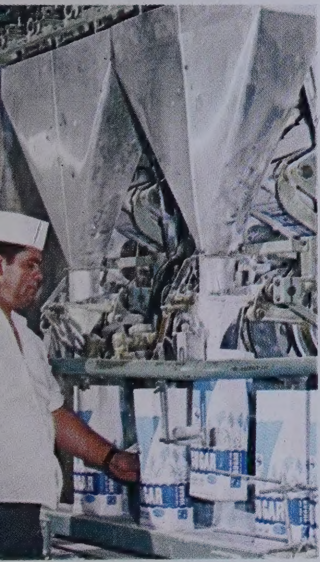

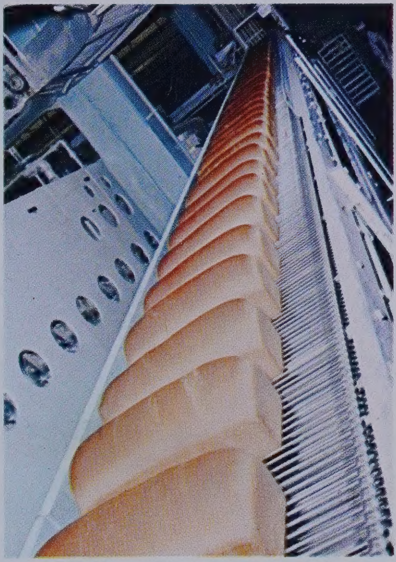

STEINBERG'S LIMITED

ANNUAL REPORT 1968

At the top of our cover:

Glass mural by Frédéric Back donated to the City of Montreal by Steinberg's. Depicting the history of music in Montreal, this colourful mural is erected in the Métro station at Place des Arts.

HIGHLIGHTS OF 1968

Sales exceed $480 million

Net earnings — $7,732,759

Ten new food stores opened

Greatest store modernization program in Company's history

Equity in Cartier Refined Sugars Ltd. increased to 92.7%

Success of giant "Supermarché Montréal" at Chambourcy, France

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On peut obtenir un exemplaire français du présent rapport annuel en s'adressant au secrétaire de la compagnie, 110 ouest, boulevard Crémazie, Montréal, Québec.

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MARCEL INKEL

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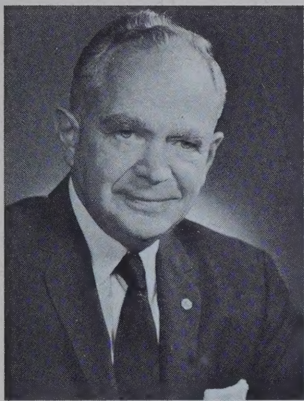

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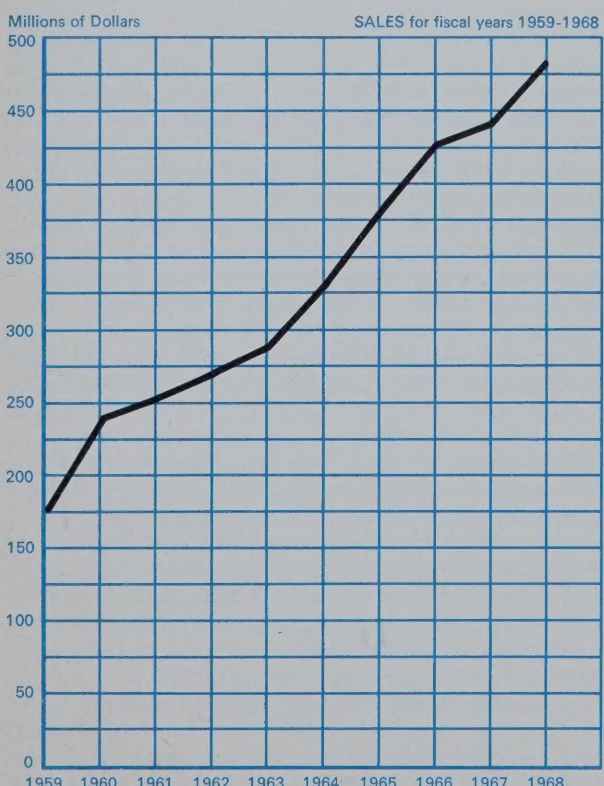
REPORT TO SHAREHOLDERS

The first concern of Steinberg's Limited has always been to merit our customers' loyalty. Over the years, constant adherence to the policy of giving better value in the goods we sell and the services we provide has resulted in steadily increasing sales and a satisfactory profit return.

The 1968 fiscal year witnessed the highest volume of sales ever attained by your Company. However, the year was characterized by increased costs of operations, including costs of goods, services and wages. These factors adversely affected profit margins and prevented any significant improvement in the Company's total earnings.



SALES

For the year ended July 27, 1968, retail sales of the Company and its consolidated subsidiaries amounted to $480,125,113, representing an increase of 9.2% over the previous year's sales of $439,495,953.

EARNINGS

The Company's total consolidated net earnings increased slightly to $7,732,759 over the $7,698,308 earned in 1967. Earnings per Common and Class "A" shares outstanding declined slightly to $1.10 from the $1.11 earned in the previous year. (These earnings are calculated on 6,773,251 shares which include 78,187 Class "A" shares issued during the year under the Employee Stock Purchase Plan 1967 and pursuant to the exercise of stock options by senior employees.) On a per dollar of sales basis, earnings declined from 1.75 cents to 1.61 cents.

The accounts of Ivanhoe Corp., the Company's real estate development subsidiary, have not been consolidated with those of Steinberg's Limited but are shown separately; net earnings of Ivanhoe Corp., however, have been taken into Steinberg's consolidated net earnings to the extent that they represent a net increase in the Company's equity in Ivanhoe Corp. and its subsidiaries.

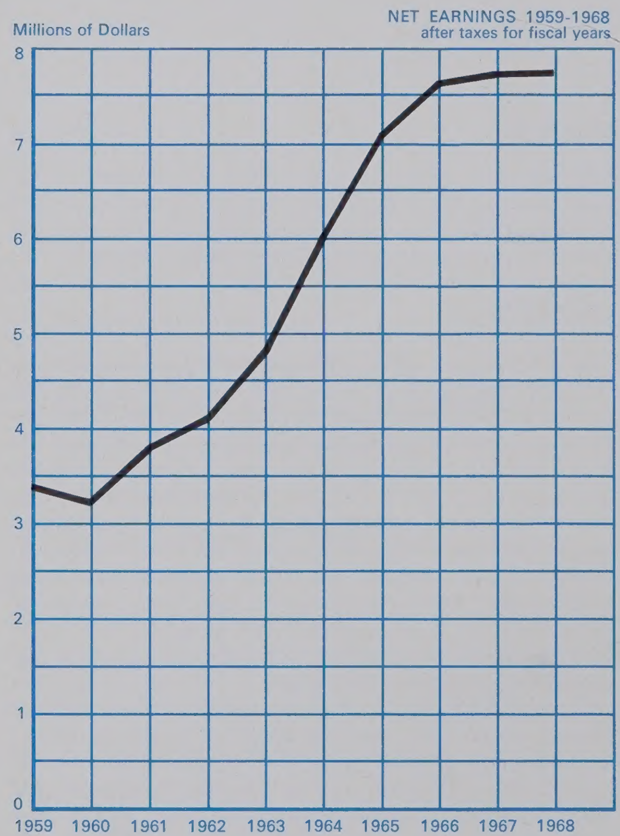
Because of the acquisition referred to later in this report, the earnings of Cartier Refined Sugars Ltd. have been consolidated in Steinberg's accounts to the extent of the equity interest held by the Company throughout the fiscal year.

ASSETS AND LIABILITIES

Total assets of Steinberg's and its consolidated subsidiaries increased by almost $15 million to $168,611,597. This is accounted for by additional investment in inventories, equipment and leasehold improvements, as well as increased equity in and advances to Ivanhoe Corp. and its subsidiaries. Working capital declined from $21,283,006 to $12,178,821, long term financing of real estate projects having been postponed due to high interest rates.

DIVIDENDS AND SHAREHOLDERS' EQUITY

The customary dividend of $5.25 per share was paid on the Preferred shares while dividends on Common and Class "A" shares were maintained at the annual rate of 36 cents. Total dividends paid on all classes of shares amounted to $2,664,873.
The share capital of the Company was increased by the issue to employees of 78,187 Class "A" shares as mentioned above. Some 1,535 Preferred shares were redeemed during the year; share capital was reduced accordingly by Supplementary Letters Patent which also confirmed redemptions made in prior years.
Shareholders' equity rose by almost $6 million to $91,575,557, while per share equity increased from $10.61 to $11.38.

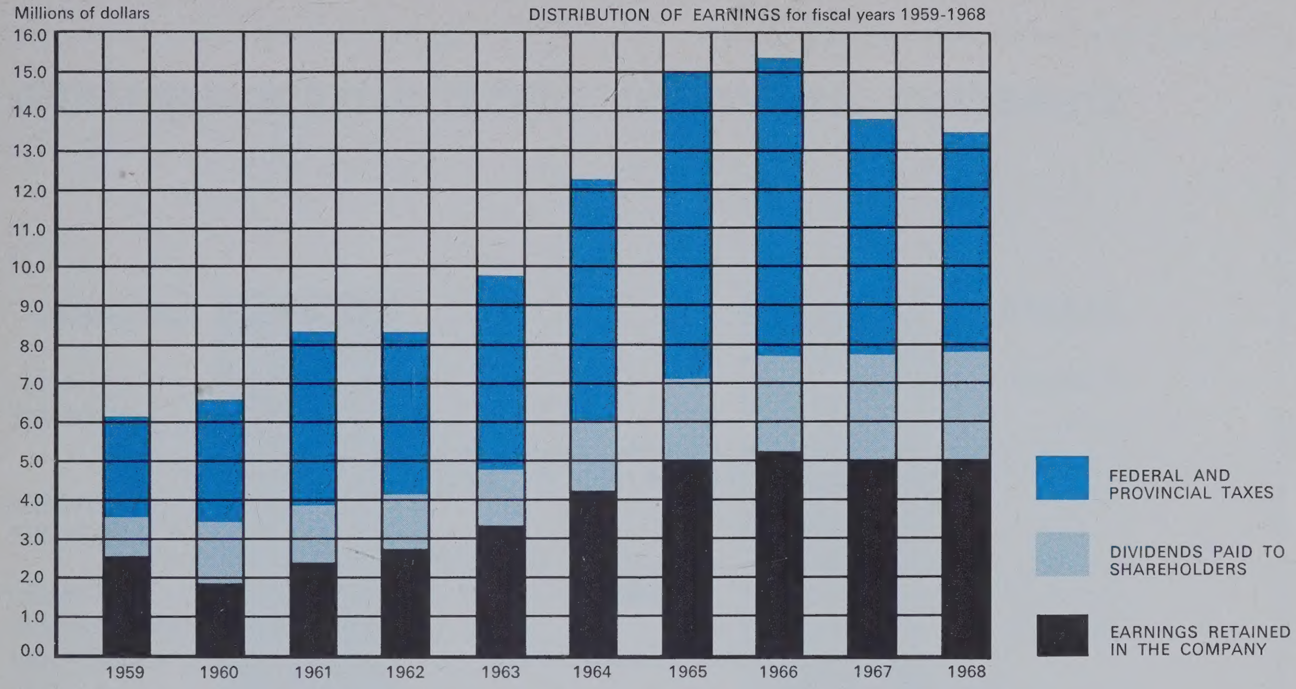


FACTORS AFFECTING OUR RESULTS

During the year, Steinberg's opened six new food stores in Quebec and four in Ontario; three smaller, outmoded units were closed. In addition we carried out the greatest program of store modernization ever undertaken by our Company, notably in Ontario. Eighteen stores were fully renovated under this program. This form of capital investment has proven to be a most effective way of rejuvenating sub-standard facilities and improving profitability. At the year-end the Company operated 175 food stores and 15 Miracle Mart department stores.
While sales in both the Ontario and Quebec food divisions increased substantially over 1967, the added volume was not sufficient to offset the combined effect of higher operating costs and renovation expenses. Moreover, margins were under pressure by reason of the Company's efforts to hold the line against increasing retail prices. The Company's action in this respect reflected the consumer's continuing concern over high living costs.
The Miracle Mart division also experienced higher operating costs. This factor, together with substantial write-offs against inventory created a lower profit rate, notwithstanding a higher level of sales.
Steinberg Foods Limited, our manufacturing subsidiary, made considerable progress towards achieving a higher level of efficiency and made a substantial contribution to consolidated profit.
During the year, our Company offered to purchase at the price of $4.50 per share all common shares of Cartier Refined Sugars Ltd. held by other shareholders. The great majority of the shareholders accepted this offer. Our common share interest in Cartier has therefore increased to 92.7%. Cartier's contribution to consolidated earnings was necessarily limited by Steinberg's lower equity interest throughout the year; however, its contribution in future years should be significantly greater as prospects of this sugar producer appear excellent.
Ivanhoe Corp. became a wholly owned subsidiary late in fiscal 1967. Its accounts are not consolidated with those of Steinberg's Limited but the attached statements indicate its varied contribution to Steinberg's consolidated earnings by way of preferred dividends, interest on advances and Steinberg's increased equity in its earnings.

OTHER DIVERSIFICATION

Two companies in which Steinberg's holds a substantial but less than 50% interest are Phenix Mills Limited and Supermarchés Montréal. Neither company's accounts are consolidated with those of Steinberg's Limited.
Both companies were formed within the last three years and must be viewed as being in the early stages of their development. Phenix now operates the most modern flour mill in Canada. It serves as an important supplier to Steinberg's manufacturing operation and its products are well accepted by other manufacturers and retailers.
Supermarchés Montréal was organized by Steinberg's and a group of French citizens to develop and operate stores in France. With 48.4% of the common stock, Steinberg's is the largest shareholder; however, under the direction of its President and General Manager, François Béraut, the organization is locally autonomous. Many of the young Parisians who occupy key positions have been trained by our Company in Montréal.
The success of the first big "supermarché" at Chambourcy, near Paris, has been nothing short of remarkable. Four months after opening it is registering substantially greater sales than any food store in our chain. Supermarchés Montréal is scheduled to open a second new store toward the end of November at Vaucresson, also near Paris. A third store will open at Place de la République in the heart of the capital in early 1969.
The prospects for this type of store appear to be excellent. Supermarchés Montréal is therefore planning to open two or three more stores in the Paris area in 1970 and as many more in 1971.



OUR PEOPLE, OUR POLICIES AND CHANGE

More meaningful, perhaps, for the long term than the financial and operating results of 1968 are the efforts being made to ensure the relevancy of our business to the rapidly changing society in which it operates. At Steinberg's we recognize that nothing is more constant than change — and that modern, corporate citizenship demands more than the mere following of trends. As a business that is closely in touch with people, we cannot avoid the challenges posed by social change. Corporations, as well as individuals, have social responsibilities.

Steinberg's recognizes the need to innovate and to be willing to discard traditional, accepted methods in its relations with employees, unions, customers, governments and the public at large. Considerable progress has been made in developing the concept of "participative management", where employees help to set challenging, new objectives for the Company which will be compatible with their own individual goals. This concept has led to the formation of a number of "strategy teams" which are studying and making recommendations concerning virtually every important aspect of the Company's business.

A parallel route is being followed in our efforts to achieve a continuing "dialogue" with the unions which represent our employees. This, we hope, is an initiative which will lead to greater comprehension and the ultimate removal of the barriers that frequently separate employers and unions.

We are also examining more closely our relationship with our customers, outside institutions, governments and the general public. We have already gained a better understanding of consumer needs and desires; we believe it will result in higher standards of value in the merchandise and services we provide. At the same time we look forward toward a more effective cooperation with governmental bodies and with the educational, charitable and cultural organizations to which we contribute. In all these ways we are seeking higher standards of performance. Hopefully, these will influence favorably the progress of your Company in the years ahead.

EXPANSION IN CANADA

We are already well advanced in our expansion program for 1969. Since July 27th, three new food stores have been opened as well as four new Miracle Marts at Ottawa, Charlesbourg, Plaza Cote des Neiges in Montreal, and Sorel. Three additional Miracle Marts and six additional food stores are scheduled for opening in the latter part of the current fiscal year.

BOARD OF DIRECTORS

Membership of the Board of Directors changed during the year with the resignation of William Sherman and the appointment of André Charron, Q.C. A well-known Montreal industrialist, Mr. Charron brings a wealth of experience to the Board. His counsel will add additional perspective to the Board's work.

The Board takes this opportunity to thank the thousands of loyal Steinberg employees, both full and part-time for their continuing loyalty, enthusiasm and effort. We record also our appreciation to our suppliers, our shareholders, and to the hundreds of thousands of Canadian shoppers who every week express their confidence in our stores, our products and our people.

On behalf of the Board

Sam Steinberg

President

Montreal, November 7, 1968.

STEINBERG'S LIMITED AND CONSOLIDATED SUBSIDIARIES

ASSETS

	Cost	Accumulated depreciation	1968	1967
			$	$
CURRENT ASSETS				
Cash			6,712,313	2,009,742
Marketable investments — at cost (approximately market value) — Ivanhoe Corp. and subsidiaries			1,220,443	1,642,934
Other			818,159	9,228,232
Accounts receivable — Ivanhoe Corp. and subsidiaries			768,985	158,899
— Other			2,402,908	1,429,045
Inventories — at the lower of cost or market			41,617,983	39,462,408
Prepaid expenses			1,185,154	1,157,187
			54,725,945	55,088,447
INVESTMENTS AND OTHER ASSETS				
Ivanhoe Corp. and subsidiaries (note 1) — Class "A" and common shares — at cost			16,796,000	16,796,000
Equity in consolidated net earnings since acquisition			2,483,064	998,670
Preferred shares — at cost			21,408,800	21,408,800
Advances			17,710,200	10,419,993
			58,398,064	49,623,463
Sundry investments — at cost			2,374,167	3,159,332
			60,772,231	52,782,795
FIXED ASSETS				
	$	$		
Land and buildings	6,228,763	794,328	5,434,435	4,975,397
Equipment	71,885,155	36,140,230	35,744,925	32,790,289
	78,113,918	36,934,558	41,179,360	37,765,686
Leaseholds and leasehold improvements — at cost less amortization			10,547,562	7,718,631
			51,726,922	45,484,317
UNAMORTIZED DEBENTURE DISCOUNT			553,420	632,163
GOODWILL				
Excess of cost of shares of subsidiaries over book value of net assets			833,079	—
			168,611,597	153,987,722

SIGNED ON BEHALF OF THE BOARD

SAM STEINBERG, *Director*

H. ARNOLD STEINBERG, *Director*

BALANCE SHEET

As at July 27, 1968

LIABILITIES

	1968	*1967*
	$	$
CURRENT LIABILITIES		
Notes payable	4,100,000	6,581,900
Accounts payable and accrued liabilities	34,549,188	24,218,481
Dividend payable on preferred shares	59,675	61,701
Income taxes	2,838,261	1,943,359
Current portion of long-term debt	1,000,000	1,000,000
	42,547,124	33,805,441
LONG-TERM DEBT (note 2)	34,000,000	34,500,000
MINORITY INTEREST	488,916	—

SHAREHOLDERS' EQUITY

	1968	*1967*
CAPITAL STOCK (note 3)		
Authorized —		
95,208 cumulative redeemable preferred shares of the par value of $100 each		
102,000 non-cumulative subordinated preferred shares redeemable at their par value of $98 each		
4,500,000 Class "A" shares without par value — non-voting		
3,500,000 common shares without par value		
Issued and fully paid —		
45,208 5¼% preferred shares — Series "A"	4,520,800	4,674,300
102,000 2½% subordinated preferred shares	9,996,000	9,996,000
3,773,251 Class "A" shares	3,722,675	2,716,896
3,000,000 common shares	1,500,000	1,500,000
	19,739,475	18,887,196
CONTRIBUTED SURPLUS		
Premium on issue and conversion of shares	10,180,291	10,180,291
RETAINED EARNINGS	61,655,791	56,614,794
	91,575,557	85,682,281
	168,611,597	153,987,722

STEINBERG'S LIMITED AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF EARNINGS

for the year ended July 27, 1968

	1968	1967
	$	$
SALES	480,125,113	439,495,953
OPERATING EXPENSES		
Cost of sales and other operating and administrative expenses	380,159,811	351,717,352
Wages and employee benefits	68,706,129	58,445,059
Directors' and officers' remuneration	556,450	566,926
Rentals and lease purchase payments	12,499,036	11,250,914
Depreciation and amortization	6,398,546	5,190,635
	468,319,972	427,170,886
EARNINGS FROM OPERATIONS	11,805,141	12,325,067
LONG-TERM DEBT EXPENSES		
Interest on long-term debt and amortization of debenture discount	2,437,439	2,144,147
	9,367,702	10,180,920
OTHER INCOME		
Income from investments —		
Interest on advances — Ivanhoe Corp.	1,186,484	1,541,640
Dividends on preferred shares — Ivanhoe Corp.	750,000	187,500
Other interest	301,149	590,252
Miscellaneous	338,737	327,326
	2,576,370	2,646,718
	11,944,072	12,827,638
INCOME TAXES (note 6)	5,630,000	6,128,000
NET EARNINGS BEFORE MINORITY INTEREST	6,314,072	6,699,638
MINORITY INTEREST	65,707	—
	6,248,365	6,699,638
EQUITY IN CONSOLIDATED NET EARNINGS OF IVANHOE CORP. (note 1)	1,484,394	998,670
NET EARNINGS FOR THE YEAR	7,732,759	7,698,308

STATEMENT OF RETAINED EARNINGS

for the year ended July 27, 1968

	1968	1967
	$	$
BALANCE — BEGINNING OF YEAR	56,614,794	51,575,135
Net earnings for the year	7,732,759	7,698,308
	64,347,553	59,273,443
Dividends — Preferred shares	240,506	245,578
— Class "A" and common shares	2,424,367	2,399,563
Loss on disposal of land and buildings	26,889	13,508
	2,691,762	2,658,649
BALANCE — END OF YEAR	61,655,791	56,614,794

STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended July 27, 1968

	1968	1967
	$	$
SOURCE OF FUNDS		
Operations —		
Net earnings	7,732,759	7,698,308
Depreciation and other charges	6,450,400	5,263,552
	14,183,159	12,961,860
Less: Equity in consolidated net earnings of Ivanhoe Corp.	1,484,394	998,670
	12,698,765	11,963,190
Additional debt and capital stock—		
Notes payable	1,000,000	6,500,000
Minority interest	488,916	
Subordinated preferred shares		9,996,000
Class "A" shares to employees (1968-*78,187* shares; 1967–*55,320* shares)	1,005,779	553,200
	15,193,460	29,012,390
USE OF FUNDS		
Additions to assets —		
Advances to Ivanhoe Corp. and subsidiaries	7,290,207	15,705,993
Fixed assets — net	12,641,151	15,236,735
Miscellaneous	47,914	704,606
	19,979,272	31,647,334
Reduction of debt and capital stock—		
Long-term debt	1,500,000	4,700,000
5¼% preferred shares	153,500	14,500
Dividends	2,664,873	2,645,141
	24,297,645	39,006,975
DECREASE IN WORKING CAPITAL	9,104,185	9,994,585
WORKING CAPITAL — BEGINNING OF YEAR	21,283,006	31,277,591
WORKING CAPITAL — END OF YEAR	12,178,821	21,283,006

STEINBERG'S LIMITED AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

for the year ended July 27, 1968

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies in which Steinberg's Limited has a controlling interest, excluding Ivanhoe Corp. and subsidiaries, which are principally property companies.

The consolidated net earnings of Ivanhoe Corp. and subsidiaries have been included in the consolidated financial statements of Steinberg's Limited for the year ended July 27, 1968 to the extent that such earnings reflect an increase in the equity of Steinberg's Limited in Ivanhoe Corp.

2. LONG-TERM DEBT

	Annual Sinking Fund Requirements $	1968 $	1967 $
Sinking fund debentures —			
5¾% due June 15, 1984 — Series "A"	500,000	13,500,000	14,000,000
6⅝% due April 15, 1986 — Series "B"	500,000	14,500,000	15,000,000
		28,000,000	29,000,000
Current portion due within one year		1,000,000	1,000,000
		27,000,000	28,000,000
Notes payable —			
7% due November 3, 1969		1,000,000	—
6⅞% due June 6, 1970		2,000,000	2,000,000
6¾% due June 1, 1970-1972		4,000,000	4,500,000
		34,000,000	34,500,000

3. CAPITAL STOCK

a) By Supplementary Letters Patent dated July 18, 1968, the capital of the company was reduced by cancelling 4,792 Series "A" preferred shares of the par value of $100 each.

b) The 2½% subordinated preferred shares are subject to restrictions that no dividend will be payable thereon prior to August 1, 1972 and none of the shares may be retired prior to August 1, 1972. Thereafter the company may redeem such shares to a maximum of $1,000,000 in each year.

c) The company has reserved 197,309 Class "A" shares as follows:

(i) 29,300 shares for options to senior employees at a price of $10 per share exercisable at various times to November 30, 1973.

(ii) 168,009 shares for subscription rights under the Employee Stock Purchase Plan 1967. 81,527 shares are reserved at a price of $17 each and the remainder at a price yet to be determined but which will not be less than 90% of the market price on January 15, 1969.

4. LONG-TERM LEASES

The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long-term leases in effect July 27, 1968 for each of the periods shown are as follows:

	Payable to Ivanhoe Corp. and subsidiaries $	Payable to others $	Total $
1969-73	21,488,198	33,852,801	55,340,999
1974-78	18,794,002	29,834,778	48,628,780
1979-83	14,428,315	25,940,012	40,368,327
1984-88	9,825,800	19,464,899	29,290,699
After 1988	5,160,622	7,964,372	13,124,994
	69,696,937	117,056,862	186,753,799

5. CONTINGENT LIABILITIES

a) The company has undertaken to provide cash to meet any obligations which Steinberg's Shopping Centres Limited, a subsidiary of Ivanhoe Corp., is unable to or fails to meet, including payments of principal and interest, on its funded indebtedness. At July 27, 1968 such funded indebtedness amounted to $6,930,000.

b) No provision has been made for the amount of $991,800 claimed in legal actions against the company, taken by the Joint Committee of the Retail Food Industry Montreal Region, which are pending in the Quebec Superior Court. These actions are being contested.

c) The company has guaranteed loans of Supermarchés Montréal and its subsidiaries, a group of companies in which Steinberg's Limited has ownership interests, up to a total amount of $2,400,000 U.S. funds, or their equivalent in French francs, for the purpose of purchasing land, constructing buildings thereon and purchasing equipment for supermarkets.

d) The company has guaranteed a loan of Ivanhoe Corp. in the amount of $2,000,000.

6. INCOME TAXES

a) The Deputy Minister of Revenue of the Province of Quebec has instituted legal action against the company claiming taxes for the years 1951 to 1963 inclusive, aggregating $902,000, including interest to the date of the action, on profits made through the disposition of capital assets. Counsel for the company has advised that this claim has no legal merit and the action is being contested. No provision has been made in the accounts for this claim. Capital profits have been credited to retained earnings and any eventual tax liability will be charged to retained earnings.

b) The provision for income taxes for the current year has been calculated after claiming depreciation for tax purposes in excess of that recorded in the accounts by $553,000. The net book value of depreciable fixed assets exceeds their undepreciated capital cost for tax purposes by $2,800,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Steinberg's Limited and its consolidated subsidiaries as at July 27, 1968 and the related statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination of the financial statements of Steinberg's Limited and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 27, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co

Montreal, October 11, 1968 Chartered Accountants

STEINBERG'S LIMITED AND CONSOLIDATED SUBSIDIARIES

TEN YEAR STATISTICAL REVIEW

	1968	1967	1966	1965
Sales	$480,125,113	$439,495,953	$400,882,856	$379,096,946
Net Earnings for the Fiscal year	$ 7,732,759	$ 7,698,308	$ 7,639,987	$ 7,134,626
Net Earnings per Dollar of Sales	1.61¢	1.75¢	1.90¢	1.88¢
Net Earnings per Share (Common and Class "A") (1)	$ 1.10	$ 1.11	$ 1.11	$ 1.04
Total Dividends	$ 2,664,873	$ 2,645,141	$ 2,431,416	$ 2,135,696
Inventories	$ 41,617,983	$ 39,462,408	$ 31,059,383	$ 28,123,428
Working Capital	$ 12,178,821	$ 21,283,006	$ 31,277,591	$ 24,331,619
Total Assets	$168,611,597	$153,987,722	$130,792,625	$106,847,024
Shareholders' Equity	$ 91,575,557	$ 85,682,281	$ 70,107,922	$ 64,444,312
Percent return on Equity	8.45%	8.99%	10.90%	11.07%
Equity per Share (Common and Class "A") (1)	$ 11.38	$ 10.61	$ 9.85	$ 9.07
Salaries & Wages and Employee Benefits	$ 69,262,579	$ 59,011,985	$ 50,691,650	$ 43,420,833
Supermarkets	175	168	157	148
Department Stores	15	15	11	10

(1) The figures for 1965 and prior years have been adjusted to reflect the subdivision of the common and class "A" shares on a 2 to 1 basis in 1966.

1964	1963	1962	1961	1960	1959
327,227,287	$286,809,909	$267,964,704	$253,222,229	$238,117,239	$178,261,413
6,012,477	$ 4,801,471	$ 4,137,146	$ 3,817,692	$ 3,241,838	$ 3,392,785
1.83¢	1.67¢	1.54¢	1.51¢	1.36¢	1.90¢
0.88	$ 0.80	$ 0.68	$ 0.63	$ 0.53	$ 0.56
1,779,907	$ 1,457,196	$ 1,384,318	$ 1,373,413	$ 1,366,221	$ 816,019
25,018,239	$ 19,907,676	$ 16,707,112	$ 14,575,382	$ 13,975,507	$ 12,037,282
21,455,400	$ 11,183,276	$ 10,618,913	$ 8,882,120	$ 8,628,187	$ 11,293,343
102,959,066	$ 82,411,228	$ 73,188,977	$ 70,450,000	$ 68,555,990	$ 67,544,941
59,060,102	$ 54,846,171	$ 50,857,810	$ 47,876,543	$ 44,285,250	$ 38,622,472
10.18%	8.75%	8.13%	7.97%	7.32%	8.78%
8.31	$ 7.59	$ 6.92	$ 6.42	$ 5.89	$ 4.83
35,969,126	$ 30,424,953	$ 26,146,509	$ 24,181,977	$ 22,616,120	$ 17,113,387
143	141	138	132	123	108
8	5	2	—	—	—

IVANHOE CORP. AND CONSOLIDATED SUBSIDIARIES

ASSETS		1968	1967
SHORT-TERM INVESTMENTS — at cost		$	$
(approximately market value)		232,512	267,505
ACCOUNTS RECEIVABLE		2,785,361	2,109,115
INVESTMENTS AND OTHER ASSETS — (note 1)			
50% owned companies — equity in net assets		281,149	231,485
Other companies — shares at cost		569,796	569,796
— advances		1,862,856	2,143,451
Other assets, principally amounts recoverable on land transactions		3,068,051	2,687,219
		5,781,852	5,631,951
PROPERTY —			
Undeveloped land — at cost plus carrying charges		16,330,546	14,842,739
Developed land — at cost		15,027,912	14,619,943
Buildings and parking areas — at cost	80,486,799		
Less: Accumulated depreciation	15,734,771	64,752,028	59,623,420
		96,110,486	89,086,102
UNAMORTIZED BOND DISCOUNT		445,664	504,721
		105,355,875	97,599,394

SIGNED ON BEHALF OF THE BOARD
SAM STEINBERG, *Director*
H. ARNOLD STEINBERG, *Director*

BALANCE SHEET

as at July 27, 1968

LIABILITIES

	1968	1967
SHORT-TERM DEBT	$	$
Bank advances	6,080,399	5,236,083
Notes payable	—	3,463,800
	6,080,399	8,699,883
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Steinberg's Limited and subsidiaries	768,985	158,899
Other	3,187,581	1,762,055
Income taxes	368,599	192,719
	4,325,165	2,113,673
LONG-TERM DEBT AND OTHER OBLIGATIONS — (note 2)	66,250,351	59,688,867
MINORITY INTEREST	1,193,193	1,074,598
	77,849,108	71,577,021

SHAREHOLDERS' EQUITY

	1968	1967
CAPITAL STOCK		
Authorized —		
155,000 5% non-cumulative preferred shares redeemable at their par value of $100 each		
200,000 Class "A" non-voting shares of the par value of $1 each		
50,000 Common shares of the par value of $1 each		
Issued and fully paid —		
150,000 Preferred shares	15,000,000	15,000,000
90,000 Class "A" shares	90,000	90,000
10,000 Common shares	10,000	10,000
	15,100,000	15,100,000
PREFERRED SHARES OF A SUBSIDIARY HELD BY STEINBERG'S LIMITED	6,408,800	6,408,800
RETAINED EARNINGS	5,997,967	4,513,573
	27,506,767	26,022,373
	105,355,875	97,599,394

STATEMENT OF EARNINGS

for the year ended July 27, 1968

INCOME		
Rentals — Steinberg's Limited and subsidiaries	4,625,670	
— Other	5,095,917	
Miscellaneous	385,132	
Gain on sale of land	1,233,501	11,340,220
EXPENSES		
Operating and administrative	2,300,408	
Depreciation	1,950,361	
Interest on debt and amortization of bond discount — Steinberg's Limited	1,186,484	
Other	3,059,723	8,496,976
		2,843,244
INCOME TAXES (note 4)		461,177
NET EARNINGS BEFORE MINORITY INTEREST		2,382,067
MINORITY INTEREST		197,337
		2,184,730
SHARE OF NET EARNINGS OF 50% OWNED COMPANIES (note 1)		49,664
NET EARNINGS FOR THE YEAR		$ 2,234,394

STATEMENT OF RETAINED EARNINGS

for the year ended July 27, 1968

BALANCE — July 29, 1967	4,513,573
Net earnings for the year	2,234,394
	6,747,967
Dividend on preferred shares	750,000
BALANCE — July 27, 1968	$ 5,997,967

STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended July 27, 1968

SOURCE OF FUNDS

Operations —	
Net earnings	2,234,394
Depreciation and other charges	2,009,418
Advances by Steinberg's Limited	7,290,207
Addition to minority interest	118,595
	$11,652,614

USE OF FUNDS

Additions to Assets	
Property — net	8,974,745
Investments and other items — net	1,199,146
	10,173,891
Dividends	750,000
Reduction of long-term debt	728,723
	$11,652,614

IVANHOE CORP. AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

for the year ended July 27, 1968

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies in which Ivanhoe Corp. alone or Ivanhoe Corp. and Steinberg's Limited, together have a controlling interest. The accounts of two 50% owned companies are included in these statements only to the extent of the amounts invested, plus the equity of Ivanhoe Corp. in the undistributed earnings of these companies since such investment.

The difference between the cost of shares in companies whose accounts have been consolidated and the book value of their net assets at the dates of acquisition has been allocated to the related assets in the consolidated financial statements.

Due to the three month accounting period in 1967, comparative figures are shown on the consolidated balance sheet only.

2. LONG-TERM DEBT AND OTHER OBLIGATIONS

	Principal Outstanding July 27, 1968	July 29, 1967
	$	$
First mortgage sinking fund bonds —		
IVANHOE CORP.—		
6¾% Series "A", due 1991	5,795,000	5,900,000
6¼% Series "B", due 1991 (repayable in U.S. Currency $2,409,000; 1967 — $2,456,000)	2,594,192	2,644,643
STEINBERG'S PROPERTIES LIMITED —		
4½% Series "A", due 1980	2,250,000	2,430,000
6% Series "B", "C" and "D", due 1982-84	10,109,000	10,779,000
STEINBERG'S SHOPPING CENTRES LIMITED —		
7% Series "A", due 1985	6,930,000	7,140,000
	27,678,192	28,893,643
Sinking fund requirements for the above bonds approximate $1,290,000 for each of the ensuing five years.		
Mortgage loans and balances payable on land purchases —		
5% — 7% balances payable on land purchases	4,620,976	3,955,979
5½% — 7½% mortgage loans, repayable in varying monthly instalments to 1985	12,356,032	12,828,590
	16,977,008	16,784,569
Advances from shareholders and others —		
Non-interest bearing	598,289	760,261
6% — 7% due on demand	1,286,662	2,830,401
7¾% term loan due in 1971	2,000,000	
6% — 7% due to Steinberg's Limited — on demand	9,406,216	2,116,009
7% due to Steinberg's Limited in 1973	8,303,984	8,303,984
	21,595,151	14,010,655
	66,250,351	59,688,867

3. CONTINGENT LIABILITIES

(a) Legal actions

A legal action claiming $1,000,000 has been instituted against Ivanhoe Corp. for an alleged breach of sale agreement in connection with a property transaction. This action is being contested.

(b) Guarantees

Ivanhoe Corp. has guaranteed bank loans, amounting to $2,083,000, of companies in which it has ownership interests.

4. INCOME TAXES

No provision is required for income taxes for Ivanhoe Corp. for the year ended July 27, 1968 as the company intends to apply losses of prior years and claim for tax purposes carrying charges capitalized as a cost of undeveloped land and depreciation in excess of that recorded in the accounts for the current year.

Income tax assessments totalling $173,000 excluding interest, have been received by Ivanhoe Corp. and its subsidiaries for 1965 and prior years. These are being disputed. If the principles on which these assessments have been made are upheld, it is estimated that additional taxes amounting to approximately $100,000 excluding interest may be levied in respect to those years not yet assessed. No provision for these amounts has been made in the accompanying accounts.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Ivanhoe Corp. and its consolidated subsidiaries as at July 27, 1968 and the related statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination of the financial statements of Ivanhoe Corp. and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 27, 1968 and the results of their operations, and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

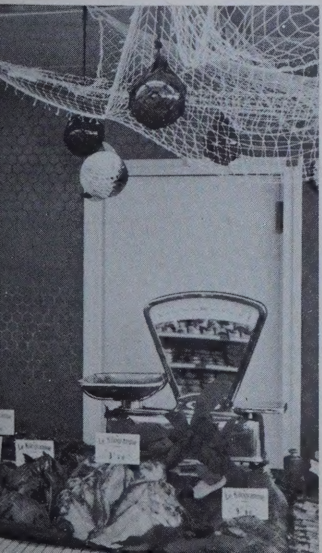
McDonald, Currie & Co.

Montreal, October 11, 1968 Chartered Accountants

Mr. Jean Chapdelaine, délégué général du Québec in Paris, discusses the store opening with Mr. Arnold Steinberg and Mr. L. Caudrelier-Benac.

supermarché MONTREAL

The first new Supermarché Montréal was opened at Chambourcy on July 4th. The store serves a community of half a million in one of the most beautiful regions of France.
With 24,000 square feet of sales area — approximately one-third devoted to non-food items — this exciting store blends traditional French service and Northern American innovation. Features familiar to Steinberg customers include "Mr. Pierre" in the meat department, a large meat and delicatessen section, a dairy products department, the largest grocery variety in the area, a garden center, air conditioning, car order service and an aggressive price policy.
Other major attractions which are influencing the shopping habits of French housewives are: free bus service to the store, market-style displays of produce, a wide selection of fine wines, a counter featuring fresh-water fish and seafood, a pastry shop directed by the former pastry chef of the luxury liner "France" and a spacious department devoted to women's and children's clothing.



OFFICERS

SAM STEINBERG
President & Chairman of the Board

NATHAN STEINBERG
Senior Vice-President & Vice-Chairman of the Board

MELVYN DOBRIN
Executive Vice-President, Retailing

JAMES N. DOYLE
Vice-President, General Counsel & Secretary

WILLIAM HOWIESON
Vice-President & Comptroller

JACK LEVINE
Vice-President & General Manager, Quebec Division

STANLEY LIPSON
Vice-President & Assistant General Manager, Miracle Mart Division

GUY NORMANDIN
Vice-President & General Manager, Steinberg Foods Limited

JOHN PARE
Vice-President, Personnel

OSCAR PLOTNICK
Vice-President & General Manager, Ontario Division

H. ARNOLD STEINBERG
Vice-President Administration & Treasurer

DIRECTORS

SAM STEINBERG

NATHAN STEINBERG

ANDRÉ CHARRON, Q.C.

MELVYN DOBRIN

JAMES N. DOYLE

LEO GOLDFARB

WILLIAM HOWIESON

GÉRARD PLOURDE

H. ARNOLD STEINBERG

HON. LAZARUS PHILLIPS, O.B.E., Q.C.

SUBSIDIARY COMPANIES

Cartier Refined Sugars Ltd.
Ivanhoe Corp.
Miracle Mart Limited
Ottawa Fruit Supply Limited
Rexworth Investments Limited
Steinberg Enterprises Ltd.
Steinberg Foods Limited

TRANSFER AGENT

Montreal Trust Company
Montreal-Toronto

REGISTRAR

The Royal Trust Company
Montreal-Toronto

AUDITORS

McDonald, Currie & Co.
Montreal

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